ISSUE BRIEF #5

# Addressing Medicare Trust Fund Solvency

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spending would need to be permanently reduced by about 17%.[3] Even hybrid approaches that combine policies to increase income and reduce expenditures are likely to raise significant concerns among stakeholders and face political obstacles.

If the imbalance between HI Trust Fund expenditures and income is not addressed, then once the Fund tips into insolvency Medicare will not have the resources to fully pay Part A claims. The program could continue to partially pay Part A obligations, including the Part A portion of

to consider whether the effects of this reduction should be equal across different types of providers and if any changes to beneficiary cost sharing should be included.

Congress could then

The scale of payment reductions and beneficiary cost sharing increases that would be necessary to ensure that the Medicare HI Trust Fund remains solvent and the SMI Trust Fund requires less general tax revenue (and deficit spending) than currently projected are likely to have significant consequences for beneficiaries' access to and quality of care. MedPAC is well-suited to exploring these concerns and including in a Congressionally mandated report recommendations for mitigating the effects of the payment reductions and beneficiary cost sharing increases on quality of care, especially highlighting the opportunities for designing policies to have a more equitable impact for disadvantaged beneficiaries.

*The effects on quality of care that would result from Congress extending the Medicare Trust Fund solvency through reducing provider payments, increasing dedicated income, and/or modifying beneficiary cost sharing based in part on recommendations issued by MedPAC as part of a mandated report would depend on the combination choices that Congress selected.*